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13 March 1952

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. ALBANIA. People's Assembly approves budget: The third ordinary session of the People's Assembly on March 3 approved the 1952 state budget. New construction and the expansion of the economy will be allotted 39 percent of the budget; social and cultural development, 23 percent; the armed forces, 11 percent; and 27 percent is unidentified.

Forty-five percent of the state's income will be derived from the socialized sector of the economy which includes the turnover tax; 20 percent from import revenues; and 15 percent from contributions by the USSR and Satellites. Approximately 28 percent of the income is unaccounted for. (R FBIS Tirana, 4, 6 and 7 Mar 52)

Comment: Contributions from the Soviet Orbit declined from 38 percent in 1949 and 18.4 percent in 1951 to 15 percent for the current year. Lack of data makes it impossible to evaluate the percentage increases which are alleged to have been allocated to the building of industries, mining, agriculture, social welfare and education.

2. CZECHOSLOVAKIA. Emotional impact of Masaryk still strong in Czechoslovakia: Several townspeople of Prostějov were arrested by local authorities when they disregarded orders not to commemorate the birthday of T. G. Masaryk on 7 March. The American Embassy in Prague believes that similar instructions were probably issued in other towns. (C Prague 657, 10 Mar 52)

Comment: The government launched a public attack against T. G. Masaryk and Eduard Benes at the Brno Ideological Conference. Minister of Information Kopecky accused Masaryk of "nationalist indifference," described Benes as "the grave-digger of Czechoslovak independence," and called both of them sworn enemies of the Soviet Union.

SECRET

13 Mar 52

SECRET

3. American Embassy discusses forthcoming political trials in Czechoslovakia: The United States Embassy in Prague believes that the Brno conference in February established an ideological framework for indictments of Slansky, Clementis, and other high officials purged last year, and that the trial will be held at whatever time the government selects as most propitious and useful to it.

The Embassy doubts the validity of predictions by the United Press that intensification of attacks against Slansky indicate that a trial is imminent. It believes that a single trial, although possible, would be unwieldy because of the number of defendants involved. (C Prague 658, 11 Mar 52)

Comment: Slansky, Sling, Svermova and Clementis were all accused of being various types of cosmopolitans acting as agents of Western imperialism. At the Brno Ideological Conference, Cosmopolitanism was defined as a doctrine made up of numerous international ideologies (such as Vaticanism, Zionism, Nationalism) used by "imperialist aggressors" to weaken and control sovereign states.

4. YUGOSLAVIA. Tito optimistic over prospects for peace: In an interview with a large group of American correspondents, Marshal Tito stated that the USSR refrains from launching a military attack because it is aware that aggression is unpopular in the world and that the Russian-dominated people are not psychologically prepared for such a venture. He remarked that with every passing day the danger of aggression from the East diminishes because of Western rearmament.

With respect to military aid from the West, the Marshal complained that Yugoslavia was last on America's aid list. He cited the tremendous Yugoslav effort toward its own defense program and added that for this reason Yugoslavia has a moral right to obtain help. (R FBIS Belgrade, 11 Mar 52)

Comment: It is interesting to note the absence of any emphasis on the theme of the possible danger of a Soviet-Satellite attack against Yugoslavia. On similar occasions a year ago Tito stressed Soviet hostile intentions and documented his contentions by citing the number of border incidents and hostile propaganda.

A report that Deputy Foreign Minister Vlahovic and not Premier Tito will assume the post of Foreign Minister during

SECRET

13 Mar 52

SECRET

Kardelj's hospitalization this spring is additional evidence that Yugoslav leaders do not anticipate a deterioration in external relations in the near future.

5. INTERNATIONAL COMMUNISM. World Communist Youth sponsors "Holidays for Peace - 1952" as part of Soviet cultural offensive: The Executive Committee of the International Union of Students will hold a meeting in Budapest from 14-18 March which will also be attended by representatives from national student unions. The meeting will discuss the IUS cultural and sports program with a view to cementing cooperation and unity among students. (R FBIS Budapest, 3 Mar 52)

Comment: The IUS has an interlocking directorate with the World Federation of Democratic Youth and is therefore under the same Communist leadership and follows the same program.

Accordingly, the Budapest meeting may be expected to develop plans initiated at a WFDY Executive Committee meeting at Copenhagen in January which set up an elaborate vacation program for young people during the coming summer including: (1) a Scandinavian Youth Camp at Frederikshavn in North Jutland for Swedish, Norwegian, Finnish, Danish and Icelandic youth in July; (2) an English Youth Peace Festival in June to which all WFDY organizations are urged to send delegations; (3) a Festival of Peace and Friendship at Sydney, Australia 15-20 March; (4) summer vacations in Bulgaria for youth of "capitalist and colonial" countries; (5) International Student Union summer camps in Rumania, Italy, Guatemala, Lebanon and North Africa; (6) summer vacations in East Germany.

At the Copenhagen meeting the Soviet delegate, Rapotjin, reported that the USSR had already received 700 youth delegations since the war.

SECRET

SECRET

SECTION 2 (EASTERN)

1. KOREA. Reorganization of North Korean Army again reported:
The reorganization of the North Korean I, IV, and VII Corps was completed on 20 February, with the reorganization of the II and III to be completed in the near future, [REDACTED]

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25X1C [REDACTED] "Mixed North Korean and Chinese Communist units" will replace the two latter corps on the front.

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[REDACTED] the Chinese Communists, disturbed by the numbers of North Koreans who were "idle," had without authorization recruited many Koreans for Chinese units. [REDACTED]

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Comment: It appears obvious from this and many other previous reports that the North Korean Army has been undergoing some form of reorganization and rehabilitation during the past six months. There is no evidence, however, of the reported integration of North Koreans into Chinese Communist units.

2. Muccio reports possible method of repaying UN won drawings:
The ROK Foreign Minister recommended before the National Assembly on 8 March that the 28 July 1950 agreement on won advances to UN forces be amended in such a manner that repayment of the loans would be made in foreign exchange of materials, providing the UNC takes the ROK's material mobilization program into consideration. American Ambassador Muccio states that, from the ROK point of view, an accelerated aid program providing greatly increased imports of saleable goods, and concerted efforts to promote their resale, would be a satisfactory settlement of UN won drawings. (S Pusan 899, 12 Mar 52)

Comment: The ROK and the UN have been at odds on a repayment method which would counteract the inflationary effect of monthly won advances to UN forces. At present, aid goods deliveries are still far from sufficient to cover the monthly advances.

3. Inflation in South Korea threatens government: Ambassador Muccio believes that the 34 percent increase in rice prices in South Korea from 1 to 8 March brings runaway inflation closer and may lead to the fall of the government. Rice has risen 114 percent in the past two months, and other food prices have also increased.

SECRET

SECRET

The Ambassador observes that inflationary pressure, characterized by a rise of a thousand per cent in note issue since the beginning of the Korean war, is principally due to South Korea's inability to finance war costs. Hoarding, political uncertainty, poor publicity about the recent rice harvest and lack of transportation are contributing factors to the inordinate price advances. (C Pusan 887, 11 Mar 52)

Comment: The sharp rise in South Korean food prices during 1952 has resulted in the resignation of the Minister of Agriculture, and the press has warned that rice riots are probable if prices continue to skyrocket.

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25X1 5. CHINA. Guerrilla strength reported very low: [redacted] 25X1

[redacted] indicate that the capabilities of anti-Communist guerrillas in China are very low. Thirteen reports do not mention any form of organized resistance to the Communist regime, eleven say that guerrilla activity has been eliminated, and only one states that guerrillas were active in parts of Kweichow Province in September 1951. [redacted]

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Comment: Reports [redacted] indicate that a maximum of possibly 200,000 to 300,000 guerrillas remain active on the mainland, and that their energies are largely devoted to self-preservation.

6. INDOCHINA. Prime Minister advocates dominion status for Vietnam: Speaking on the occasion of the investiture of the new Vietnamese cabinet, Premier Tran Van Huu declared that Vietnam's friendship for France was unequivocal and that Vietnam expected to maintain itself in a status comparable to that of Australia within the Commonwealth. (R Saigon 1764, 11 Mar 52)

Comment: Dominion status has long been asked for Vietnam by nationalists not holding office in the central Vietnam Government. This is the first occasion on which a high official of that government has publicly advocated the development of the French Union along these lines. Huu's statement is also a significant indication of growing nationalist strength.

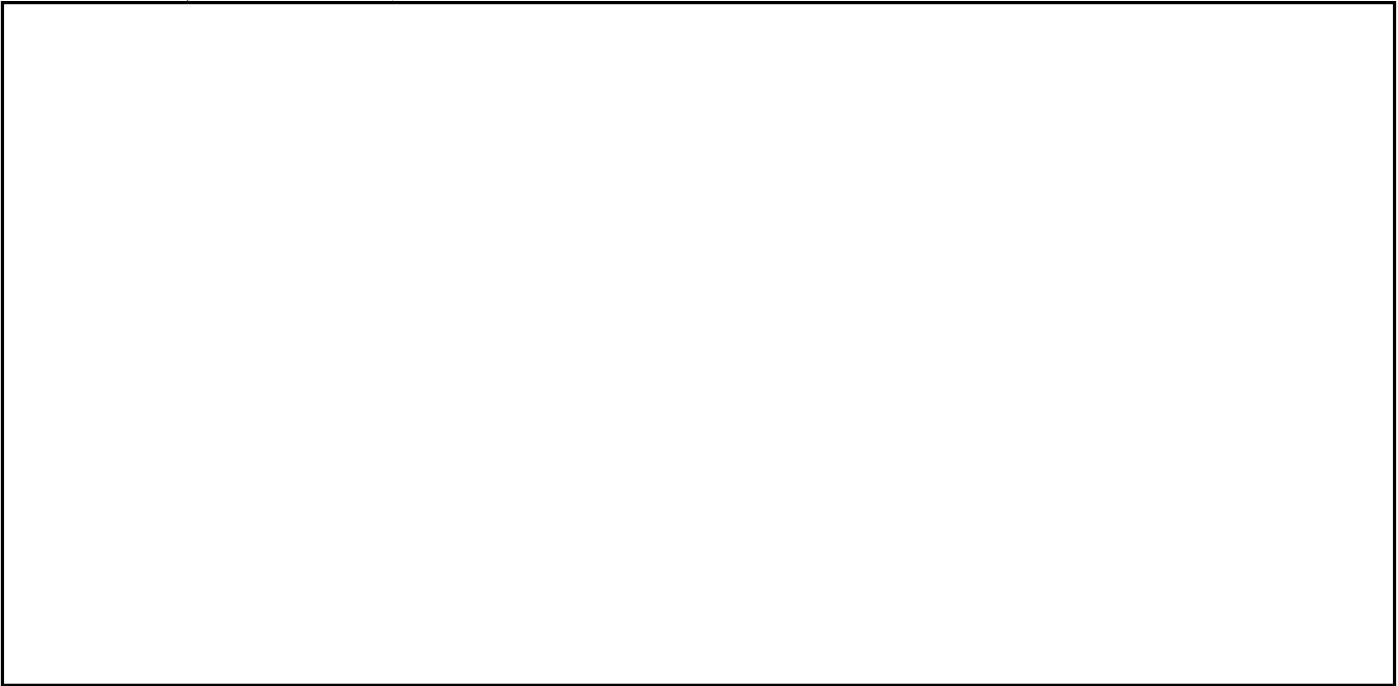
7. SAUDI ARABIA. King fears British Middle East activities: British activity in Arabian peninsula affairs has so alarmed King Ibn Saud of Saudi Arabia that he has asked the United States to intervene with London. According to Ibn Saud, the British have been evidencing their irritation over increasingly close Saudi Arabian-American relations by indulging in political maneuvers on the Iraqi border and in the Persian Gulf area. The King believes that Iraqi political intrigue in Kuwait and tribal difficulties along the Saudi Arabian border are British-instigated. He is also alarmed by what he believes to be British bad faith in the Persian Gulf border negotiations. (S Jidda 474, 10 Mar 52)

Comment: Ibn Saud has long suspected British intentions in Arabian peninsula affairs. The recent failure of negotiations with the British over the Persian Gulf boundaries will increase the King's apprehensions, making negotiations with him more difficult.

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SECTION 3 (WESTERN)

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2. FRANCE. Pleven fears French crisis may disrupt NATO: Defense Minister Pleven is very doubtful that France can avoid abandoning a large portion of its military production program.

Pleven agreed to replace the ailing Bidault as Defense Minister only because he felt that someone familiar with the situation might be able to prevent a "blowup affecting the whole NATO program." He insists that even with a four-billion-dollar budget for calendar year 1952, France will need a total of one billion dollars of American aid to meet 1952 defense commitments.

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Comment: France's prospective four-billion-dollar budget actually exceeds by 15 percent NATO's estimate of the country's financial and economic capabilities.

Bidault had warned US officials in early February, however, that five billion dollars would have to be budgeted in order to meet NATO military requirements. The new French Government is making no attempt to secure a tax increase, which its predecessor considered indispensable for even the four-billion-dollar budget.

SECRET

SECRET

In order to meet French commitments to NATO, Pleven is in effect asking that 500 million dollars of additional US aid be promised and applied against this year's budget, whereas US officials have hitherto considered that any further aid should be applied against the 1953 budget.

3. AUSTRIA. Hope still lingers for revival of East-West trade: An article published by the Chamber of Labor suggests that some reputable Austrians are not reconciled to the permanent stagnation of trade with the Soviet Orbit. The article contends that a resumption of normal East-West trade would be a decisive step toward solving Austria's considerable foreign trade problems; the Satellites would be a market for Austrian goods, and also be a source of raw materials purchasable without dollars.

This plea was converted by Communist publicists into an argument for Austrian participation in the Moscow Economic Conference. Many Austrians probably share the article's view that the country's economic isolation from the Satellite countries is unnatural, and that Austria's prospects in competing in the West are not bright. The Minister of Trade, however, recently cited the economic obstacles to commerce with the Satellites, possibly to correct excessive optimism over its future. (Factual data from: R FBIS Austria, 6 Mar 52; S Salzburg Joint Weeka 10, 8 Mar 52)

4. AUSTRIA-RUMANIA. Austria moves to force new Rumanian trade agreement: The Austrian Government has decided to warn Rumania that their trade agreement will be cancelled on 11 April unless the Rumanians agree to send a commission to Vienna to amend the commodity lists of the last trade agreement. The Austrian Foreign Office believes that Rumania is unwilling to cancel the agreement, and will therefore meet the Austrian demands.

25X1A The Austrian move is allegedly intended to force Rumania to increase its deliveries, while permitting Austria to curtail exports of strategic materials and manufactured goods.

Comment: Although dissatisfied with its failure to obtain larger quotas of Rumanian food products and to expand the Austrian market for certain categories of finished goods, Austria agreed last November to an extension of the old trade

SECRET

13 Mar 52

SECRET

agreement. The deficits in Rumanian -- as well as Hungarian -- deliveries have increased Austrian dissatisfaction since that time.

5. SPAIN. Security problem in Asturias reported eased: Disaffection among the coal miners and other industrial workers in Asturias has reportedly decreased appreciably over the past year, so that this traditionally volatile region does not now represent a major security problem for the Spanish Government. The improved state of public order is attributed to increased wages, improved food and fuel supplies, and a demonstration of government solicitude for the welfare of the workers.

Although Asturian labor has not been won over from its basically socialist political orientation, the area is not likely to remain a center of rebellious dissatisfaction, as it was so frequently in the past, so long as present favorable social and economic trends continue. (C US Cons. Bilbao to Madrid (letter),)

6. Spanish press views French rearmament as threat: The Spanish press has taken the new position that rearmament of France is a potential threat to Spain. The press justifies its misgivings by pointing to France's historical tendency to interfere in Spanish affairs, to France's allowing Spanish Communists to use France as a base for subversive activities against the Franco regime, and to France's treaty of alliance with the Soviet Union.

Accordingly, the press asserts, Spain could reasonably demand the same guarantees given France regarding German rearmament. (R Madrid 965, 10 Mar 52)

Comment: The renewed anti-French press campaign reflects the Franco government's mistrust of French will and ability to fight the Soviet Union and fear that France may be able to block American aid to Spain. The immediate aim is apparently to prepare the Spanish people for possibly less US aid than had been anticipated.

The new propaganda line that a rearmed France represents a threat to Spain may indicate a bargaining tactic for the forthcoming military negotiations with the United States. In addition, Franco may be laying the groundwork for closer relations with Germany.

SECRET

SECRET

7. NORWAY. Commerce Minister fears European trade restrictions may undercut Norwegian defense: Norwegian Commerce Minister Erik Brofoss has expressed grave concern over the recent actions of Britain, France, and other European countries designed to improve their trade positions at "the expense of smaller nations." He asserted that the adoption of such measures should at least be preceded by discussions at a high policy level in the OEEC or some other regional economic organization. He said that a deterioration in Norway's trade position would require the government to consider a reduction in defense expenditures. (C Oslo TOMUS 144, 10 Mar 52)

Comment: Brofoss's suggestion that Norway might be compelled to reduce its military expenditures is not blackmail but rather reflects the country's acute dependence upon international trade.

8. CUBA. Batista dissolves General Labor Confederation: General Batista has issued a decree dissolving the Cuban General Confederation of Labor (CTC) which had come out in support of deposed President Prio and had ordered a general strike of a political nature. (R FBIS, 11 Mar 52)

Comment: The non-Communist Cuban General Confederation of Labor, one of the strongest and best organized in all Latin America, exerted considerable political influence during the Prio administration and posed the only potential threat to the secure establishment of the new regime. Because of this, its leader, Eusebio Mujal, was arrested.

Since then, the directors of the CTC have reportedly ordered all labor groups to suspend their strike efforts. They have indicated their willingness to go along with the present regime provided all labor advances won during recent years are retained.

9. DOMINICAN REPUBLIC. Government recognizes Batista regime: A Foreign Ministry spokesman has announced that on 11 March the Dominican Government, in a note presented to the Cuban Legation in Ciudad Trujillo, recognized the new Cuban Government. (R FBIS, 12 Mar 52)

Comment: This most precipitate recognition indicates the marked degree with which President Trujillo is in sympathy with the Batista regime and presages an era of far more amicable re-

SECRET

SECRET

lations between the two governments than have existed in the past.

On 12 March the Venezuelan Government also granted recognition to the Batista regime.

SECRET

12

13 Mar 52

TOP SECRET
SECURITY INFORMATION

13 March 1952

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